AGRICULTURAL OUTLOOK DIGEST

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RECORD HARVEST LIKELY BUT SUPPLIES STILL TIGHT

Larger harvests of grains and soybeans are likely to about match projected use in the season ahead. The past year has seen sharp reductions in stock levels, including liquidation of Government holdings. Smaller carryovers forecast for fall could largely offset added output from 14 million more acres planted to food and feed grains. A record soybean crop planted on 10 million more acres this year will boost supplies despite a minimal carryover.

Disappearance of major commodities in the season ahead is likely to maintain the heavy pace of the past year. Availability of larger feed grain and soybean crops and removal of the recent price freeze may encourage larger livestock output and marketing next year. Output of livestock products during 1973 is running below year-earlier levels. Meanwhile, foreign buyers will be seeking large quantities to build up depleted stocks and to satisfy their food demands.

If disappearance is close to production levels again, very little buildup in carryover is likely next summer. Heavy disappearance also is likely to maintain commodity prices at levels well above those of recent years. It was in this context that USDA announced that no land for 1974 grain and cotton crops would be eligible for set aside.

Acreage Expands

Farmers have surmounted considerable barriers to plant 25 million more acres than a year earlier. Wet fields since last fall put early planting well behind schedule, and tight fuel and fertilizer supplies hampered later efforts. Some farmers had to alter plans, so planted corn acreage was 1 percent larger than March intentions, and acreage of soybeans, planted later, rose 5 percent from March. Cotton planting was curtailed in the Delta, but expanded in the Southwest and West.

Following are the possible supply and demand prospects for grains, oilseeds, and livestock production in the season ahead. Wheat output is based on a July 1 forecast while fall crop production is projected using yields based on recent trends. Because of this year's wet spring and delayed planting, however, trend yields may provide a somewhat less satisfactory clue to the final outcome of fall crops.

Wheat

The July 1 wheat carryover of 428 million bushels was the least in 2 decades. Even with 13 percent more wheat output forecast for the 1973 harvest, supplies will be nearly a tenth smaller than last season's 2.4 billion bushels.

Wheat use may also slip. High prices may slow wheat feeding, and smaller Russian needs may trim exports to around 1 billion bushels, second only to last season's record.

June 1 prospects were for a 10-percent larger world wheat crop this year, but as in the United States, foreign stocks are depleted, so there is unusual uncertainty about exportable supplies. This is one reason why farm prices firmed at high levels going into the harvest season. Even if prices moderate some at peak harvest, the 1973/74 season will average higher than the $1.80 per bushel of a year earlier.

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HARVESTED ACREAGE, OUTPUT PROSPECTS

	Acreage for 1973 Harvest	Change from 1972	Projected 1973 production[1]	Change from 1972
	Million acres	*Percent*	*Million units*	*Percent*
FEED GRAINS			211 tons	+6
Corn	62.5	+9	5,880 bu.	+6
Sorghums	15.2	+12	868 bu.	+5
Oats	14.6	+3	717 bu.[2]	+4
Barley	10.5	+3	440 bu.[2]	+7
FOOD GRAINS				
All wheat	53.6	+15	1,749 bu.[2]	+13
Winter wheat	38.5	+10	1,320 bu.	+11
Durum wheat	2.9	+13	87 bu.	+19
Other spring wheat .	12.2	+19	342 bu.	+20
Rye	1.0	0	25 bu.[2]	-16
Rice	2.2	+19	104 cwt.	+22
OILSEEDS				
Soybeans	55.7	+22	1,588 bu.	+24
Cotton (planted acreage)	13.0	-6		
Peanuts	1.5	+1	3,317 lb.	+1
Flaxseed	1.6	+40	20 bu.	+47
TOBACCO	0.9	+5	1,141 lb.[2]	+13

[1] Assumes recent yield trends and normal growing conditions, except as noted.
[2] July production forecast.

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Feed grains

Based on July 1 prospects, feed grain supplies in 1973/74 could slip several million tons from 248½ million tons last season. With a 5.9 billion bushel crop and 800 million bushels carried over, corn supplies could show no change. But a minimal carryover will considerably tighten sorghum supplies.

Corn use by domestic feeders may match 1972/73's 4.7 billion bushels. The number of grain consuming animal units, which has slipped 1 percent, may be up about 2½ percent in 1973/74. If high-protein feed prices cool off and livestock producers become more optimistic, feed grain use could be boosted further.

Corn exports for 1973/74 may match 1972/73's remarkable 1.2 billion bushels. To date, exporters have committed 640 million bushels for 1973/74 shipment. With this bullish export outlook, corn prices will likely better 1972/73's estimated average of $1.45 a bushel.

Soybeans

Larger planted acreage could boost supplies of oilseeds and products. Bigger crops of soybeans, flaxseed, and peanuts are likely; cottonseed output may approach last season; but less safflowerseed and sunflowerseed are in prospect.

Soybean supplies will closely reflect the 1973 crop, currently projected at 1.59 billion bushels. It's possible this would outpace demand a little and provide a carryover in September 1974 in the range of 125 million bushels. Prices will average well above the $4.35 per bushel average now estimated for 1972/73. With low carryin stocks this fall, prices will start at high levels, and farmers could benefit more than last season.

Added soybean output will provide greater output of products. Record use will lower carryovers of both soybean oil and soybean meal into 1973/74. Potential production of products from companion cottonseed is lower because of a 6-percent drop in acreage planted to cotton.

Livestock and Poultry

Livestock and poultry products are in a supply bind. Ever since high feed prices last December forced broiler producers to drop expansion hopes, events have ruled out red meat expansion and catalyzed reductions for poultry and dairy products.

Almost another year may pass before market supplies expand much. Any recovery is vulnerable to the possibilities of more adverse weather, rising feed prices, and market uncertainties.

Second-half 1973 red meat output will trail the 1972 level, with a little less beef and pork. Veal and lamb and mutton will total sharply lower.

- The continuing freeze of beef prices through September 12 may cause some backup in feedlots. On July 1, there were 2 percent more cattle on feed than a year earlier. Producers planned to market about the same number as a year earlier in the third quarter, but possibly expand some in the fourth quarter.

When the beef freeze thaws September 12, there is likely to be a surge in cattle prices. But the expected selling-off of backlogged animals and prospects of larger marketings will be a tempering influence.

Incentive to expand beef output next year comes from several directions. Fed cattle prices are likely to run at least $10 per hundredweight over 1972 levels for the rest of 1973, and some moderation in feed grain prices and addition to high-protein supplies is indicated after harvest. The mid-year 1973 inventory of feeder cattle is up from a year ago.

- Pork producers planned to have the same number of sows farrow as in the second half last year, but may have sold enough bred sows and gilts recently to reduce pig production. First-half 1974 slaughter thus could be near or below the reduced level of this January-June. Hog prices posted an immediate rise following removal of price ceilings. Although some slippage from current levels may occur, fall prices are likely to be as high or higher than summer levels—even though supplies are seasonally large.

- Broiler hatchery supply flocks and egg laying flocks were culled heavily during the price freeze. Broiler meat output will show a sharp decline this September and egg output, down 5 percent in June, may drop further. But, with the freeze rescinded, poultry and egg producers may take steps to expand output.

- Dairy prices also may post a catch-up rise with the freeze off. While milk production has been around 2 percent under 1972 rates, demand for milk and dairy products has continued strong. With a recent history of heavier herd culling, milk supplies are expected to remain very tight relative to demand through winter.

FEEDS, FATS, AND OIL

The gates have been partially shut on further exports this summer of oilseeds, their byproducts, animals fats, and high-protein feeds. Even with these temporary limits however, oilseed and meal exports will set new records for their current seasons, and supplies will be quite tight until 1973-crop oilseeds can be harvested and crushed in volume.

In early July, at first soybeans and cottonseed and their products, but then the entire fats, oils, and protein-feed complex was made subject to export control.

These moves were made to prevent undue depletion of our tight supplies of oilseeds, protein feeds, and edible fats and oils towards the end of the 1972/73 marketing season. The need for restrictions in the next marketing year will be evaluated as additional information about 1973 production becomes available. However, determination has been expressed to avoid agricultural export controls unless absolutely necessary.

Even with export limits this summer, soybean exports for the season ending August 31 will probably total 490 million bushels, up from 417 million in the previous season. And shipments of soybean meal for the year ending September 30 will jump to a record 4.8 million short tons from 3.8 million last season.

Given the high level of summer export commitments revealed by shippers, soybean and meal exports this season probably would have gone even higher. However, rapidly dwindling supplies and the capacity of the transportation system might have limited the pace of exports somewhat.

VEGETABLES: A LITTLE RELIEF THIS SUMMER

With a little more land going into summer fresh vegetables and a lot more into processing, some relief may be in sight from the very tight supplies of the past year. However, continued heavy demand for fresh vegetable crops and sharply reduced carryovers on the processing side will limit price-easing effects. Meanwhile, potato supplies will continue relatively scarce at least until late summer.

Summer Prospects

With summer acreage 4 percent larger than a year earlier, potential production of 14 fresh vegetables may be up 2 percent if yields turn out on a par with recent years. There are some substantial acreage changes for individual crops this season. Some relate to delayed spring harvests falling into the summer quarter.

Larger supplies of sweet corn, lettuce, and celery are in sight along with more watermelons and cantaloups. A sharply larger broccoli acreage is available in California but much of this crop will go for freezing. The same is true but to a lesser extent for peppers. There will be slightly smaller crops of cabbage, carrots, and probably moderately less tomatoes, assuming average yields.

Fresh vegetable prices received by growers this summer will average well above a year earlier, but move seasonally lower from the high levels recorded during May and June. Lower prices for lettuce and onions will be featured.

Processed Prospects

Substantially larger acreages have been planted for processing vegetables this season. Compared with 1972, slightly higher percentage increases in the pack of canned items than for the pack of frozen items are likely. Carryover of frozen items into the 1973/74 season is only moderately larger than the unusually low 1972 figure.

The canned vegetable carryover was the smallest in years. The larger packs expected are likely to find ready markets. If 1973/74 disappearance holds close to the 1971/72 point and if canners and distributors rebuild stocks to the modest level of 1972, then pressure for moderate wholesale price increases will prevail.

Onions

Prices were at their highest levels in history in late March and April because storage stocks ran out, and the early spring Texas harvest was delayed and reduced by wet weather. This encouraged a summer acreage increase of 11 percent.

For early summer States harvesting for fresh market, production is up only 2 percent over a year ago. Acreage in the major storage States is up 12 percent and conditions are generally good.

Potatoes

The potato situation will remain tight right through summer, and possibly for fall. The big fall crop, which yields three-quarters of the annual harvest, will come from only 1 percent more acres, according to intentions of growers in March. But in view of recent high prices, especially since March, fall acreage may have gone up more than growers had planned.

Wholesale prices for fresh potatoes have been two to four times higher than 1972's depressed levels for all varieties. And prices will stay high. Summer potato production is forecast at 21.7 million hundredweight, 9 percent smaller than in 1972. Both acreage and yields are down. Storage stocks this spring were a third below a year earlier, encouraging heavy movement of French fries. Processors will need to replenish depleted stocks.

Sweetpotatoes

Growers harvested 6 percent more sweetpotatoes in 1972, but the market has taken them at higher prices. Very heavy movement of canned sweets has somewhat depleted canners' stocks.

It's likely that the market will continue to show strength this season While stocks are down and demand heavy, growers plan no more acreage than last year.

Dry Edible Beans

Prior to this April, a moderately larger 1972 harvest held grower prices below the season before. Then the export market, sparked by smaller world production, turned to the United States for additional dry bean supplies, and orders are still coming in. Average prices rose to a record $15 per hundredweight in June. The 1973 acreage prospects suggest that near-record prices may continue.

) OILS EXPORTS LIMITED

Prices Resilient

Oilseed and meal prices dropped after the announcement of pending export controls in late June. However, prices have proven to be fairly resilient, rising again after mid-July. Soybean oil prices scarcely dipped in acknowledgement of the embargo, and rose sharply after Phase IV terms were announced.

Weekly Average Cash Prices, Soybeans Complex

	No. 1 yel. beans, Chi., per bu.	Oil, bulk Decatur, per lb.	Meal, Decatur, per ton
	Dol.	*Dol.*	*Dol.*
June 4-8 ..	10.93	18.62	401
11-15 ..	10.79	19.27	386
18-22 ..	11.23	19.98	398
25-29 ..	10.43	19.53	371
July 2-6 ..	7.25	19.26	280
9-13 ...	6.61	19.74	229
16-20 ..	9.51	21.58	334
23-27 ..	10.68	26.15	366

Soybean meal and soybean oil were subject to freeze price levels. Under Phase IV, processors can now pass on in prices, dollar for dollar, any increase in soybean prices after the freeze base period. They must also pass on price declines.

Prices between now and harvest will remain well over levels of recent years, but be sensitive to market evaluations of Phase IV, crop progress, export restrictions, and the outlook for world supplies of and demand for fats, oils, and feed commodities.

One of those commodities which continues to exert a lot of clout by its absence is fishmeal. It was hoped that Peru might resume trawling for anchovies, chief source of fish meal, this October, but scientists now think that trawling will have to wait until next March.

FOREIGN FOCUS

Exports Make Strong Gains

Farm exports have been elevated to new heights. After ranging between $4 billion and $6 billion during the 1960's, exports increased to $8.0 billion during 1971/72. Then, with foreign customers paying better than $1 billion a month, exports shot up to $12.9 billion last season.

The increase in total export value over 1971/72 was about equally due to greater volume and to higher prices. U.S. grain shipments doubled in value to over $5 billion. Export values of wheat and flour and of feed grains each doubled to over $2.2 billion. Soybean and product values rose $1 billion to over $3 billion. Gains were recorded in nearly all other export categories.

Our traditional top customer, Western Europe, took farm goods totaling $4.5 billion. Canada's takings also took a step up, to over $800 million. South America proved a 45-percent larger customer, buying agricultural products worth over $1.1 billion.

Japan pushed to new prominence by purchasing $2.3 billion worth, nearly double the prior season's total. With the addition of other Asian markets, including the People's Republic of China ($150 million), exports to Asia probably matched the value of those to Western Europe.

Trade Balance Boosted

Farm imports also have had quite a year. At $7.3 billion, they ran a fifth larger than in 1971/72. Nearly three-fourths of the rise could be explained by price increases in our overseas purchases.

The surplus of our huge farm exports over these imports hit an alltime high of $5.6 billion, up from only $2 billion a year earlier. Our nonfarm trade balance was $9 billion in the hole for 1972/73, however. So we wound up with an overall negative trade balance of around $3½ billion.

How Devaluation Affects Farm Trade

Devaluation has had a strong impact on U.S. farm trade, significantly mitigating recent world price rises for our customers but accelerating them to some extent when we use dollars to buy imports. This is one reason why both farm export values and farm import values rose so much during the past year.

The dollar was devalued against major currencies in December 1971 and in February 1973. Floating exchange rates since February have further devalued the dollar. The impact has varied from currency to currency.

Over the past 2½ years, world commodity prices have gone up while the price of the dollar in most major markets has gone down. For example, the price of U.S. corn rose 21 percent between May 1971 and March 1973—in terms of U.S. dollars. But sharp dollar devaluation in Japan caused the price in yen to drop 11 percent.

Devaluation has had an opposite effect of magnifying the rise in the prices we pay for farm imports.

USSR Growing More Grain

As of mid-July, grain output in the USSR was expected to be a record, sharply above last year's rather poor crop of 168 million metric tons (gross basis). Considering weather and crop conditions through mid-July, USDA estimates the Soviet crop at 195 million tons, including 95 million tons of wheat. Barring unfavorable weather, the grain harvest could approach this year's official goal of 197.4 million tons.

The added output potential comes from larger acreage—harvested acreage may be the biggest since 1965—heavier applications of fertilizer, and favorable weather to date. Droughty conditions last fall limited winter grain planting. But after a better-than-average winter, winter wheat yields may set records.

Spring came early, allowing a timely sowing of an expanded acreage of spring grains. Spring-planted grain may yield as much as three-fourths of this season's total.

July-August weather developments will be important, especially in marginal rainfall areas. But the full story won't be known until October when the harvest of spring grain is completed.

Soviet Grain Purchases

Recent data on the extent of Soviet grain-buying shows that substantial shipments of U.S. grain will continue in fiscal year 1974.

Between July 1, 1972, and June 30, 1973, we actually shipped close to 14 million metric tons of Soviet-purchased wheat and feed grains. Most went to Soviet ports, but some was delivered to allied nations.

In addition, about 2.6 million metric tons of U.S. corn remain to be shipped by September 30, 1973.

For 1973/74, the USSR has already contracted to purchase 3.5 million tons of U.S. wheat and about 4.3 million tons of U.S. coarse grains, shipment of the latter to be completed by September 30, 1974.

Based on current Soviet crop conditions and these export data, U.S. officials forecast that the Soviet grain purchases from all sources for delivery in 1973/74 could approach 15 million tons. This grain will probably be used to encourage output of more livestock products for Soviet consumers, to meet some of the needs of Soviet allies, and to rebuild depleted stocks.